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Message Text

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ACTION ARA-17

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 PA-03 PRS-01

USIA-12 ABF-01 RSR-01 /154 W
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TO SECSTATE WASHDC 8002
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E. O. 11652: N/ A
TAGS: EAID, CO
SUBJECT: FINANCIAL INDICATORS- MAY 1973

REF: (A) BOGOTA 2802
(B) BOGOTA 3020
(C) BOGOTA 4195
(D) BOGOTA 4323

PASS USDEL TO CONSULTATIVE GROUP MTG

1. FOREIGN EXCHANGE RESERVES (US MILLIONS) - RISING
COFFEE EXPORT EARNINGS, AID DISBURSEMENTS, AND STILL
LAGGING IMPORT PAYMENTS CONTRIBUTED TO 41 IMPROVEMENT
IN MAY. CUMULATIVE BALANCE OF PAYMENTS SURPLUS 100
THROUGH 5 MOS JAN - MAY. GROSS RESERVES 493 AND NET
RESERVES 446 END MAY. MAJOR TRANSACTION IN 1973
TO DATE INCLUDE GOC BORROWING FOR BUDGETARY SUPPORT
PURPOSES 25 FROM JAPANESE COMMERCIAL BANKS AND 20 FROM
BOND SALE. ALSO GOC EFFECTIVELY PREPAID 30 OF 19 72
CHASE MANHATTAN LOAN FOR 40 WITH PESOS COMING FROM
CENTRAL BANK STERILIZATION OF EXCESS LIQUIDITY
IN SAVINGS AND LOAN SYSTEM.
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2. EXCHANGE RATES- OFFICIAL CERTIFICATE SELLING RATE 23.453 PESOS PER $ US END MAY REPRESENTED DEPRECIATION 0:4 PERCENT IN MONTH AND CUMULATIVE 2.7 PERCENT SINCE END DEC 1972. RATE MOVING MUCH MORE SLOWLY THAN LAST YEAR WHEN DEPRECIATION 0.9 PERCENT IN MAY 1972 AND CUMULATIVE 4.1 PERCENT JAN- MAY 1972.

3. MONETARY AND CREDIT (PESOS MILLIONS) - BOR NET DOMESITC ASSETS DECLINED TO NEGATIVE 1,396 END MAY AS AUTHORITIES SOUGHT TO OFFSET EXPANSIONARY EFFECTS OF INCREASE IN FOREIGN RESERVES. CENTRAL BANK NET CREDIT (CREDIT MINUS DEPOSITS) TO BANKING SYSTEM (COMMERCIAL AND SPECIALIZED BANKS) DECLINED 1,000 IN MAY AND CUMULATIVE 3,977 IN JAN- MAY. STRONG CONTRACTION OWING TO INCREASED LEGAL RESERVE, SUSPENSION OF PRIVATE SECTOR FOREIGN BORROWING, AND RESTRICTED ACCESS TO REDISCOUNT FACILITIES. GOC AND COFFEE FEDERATION POSITIONS IN BOR REMAINED ESSENTIALLY UNCHANGED IN MAY. CUMULATIVE NET REPAYMENT TO BOR 659 BY GOC AND 237 BY COFFEE FEDERATION IN JAN- MAY. MONEY SUPPLY INCREASED 1.4 PERCENT IN MAY AND CUMULATIVE 5.5 PERCENT JAN- MAY TO 31,492 END MONTH. EXPANSION DURING 12 MOS JUNE 1972- MAY 1973 WAS 26.6 PERCENT.

4. PRICES- COMPOSITE COST OF LIVING INCREASED 2.8 PERCENT IN MAY AND CUMULATIVE 13.3 PERCENT IN 5 MOS. JAN- MAY. CORRESPONDING INCREASES IN 1972 WERE, RESPECTIVELY 0.8 PERCENT AND 5.7 PERCENT. EMPLOYEES NATIONAL INDEX 661.5 AT END MAY REPRESENTED INCREASES 2.2 PERCENT IN MONTH AND CUMULATIVE 12.0 PERCENT JAN- MAY. WORKERS NATIONAL INDEX 695.7 END MAY REPRESENTED INCREASES 3.4 PERCENT IN MONTH AND CUMULATIVE 14.6 PERCENT JAN- MAY. SHARPEST INCREASES BEING REGISTERED BY FOODSTUFFS IN BOGOTA. WHOLESALE PRICE DATE FOR 1973 STILL NOT AVAILABLE. SEE REF A AND D FOR GOC MEASURES IN RESPONSE TO PRICE TRENDS.

5. SAVINGS- SAVINGS DEPOSITS IN COMMERCIAL BANKS INCREASED 4.5 PERCENT IN 1 ST QTR 1973 COMPARED TO 14.2 PERCENT IN 3 RD QTR 1972 AND 8.5 PERCENT IN 4 TH QTR
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1972. PRELIMINARY DATA SUGGEST STILL SLOWER GROWTH IN APR AND MAY AND LEVELING OFF OF DEPOSITS. DECLINING SAVINGS RATE IN BANKS DIRECTLY RELATED TO INCREASING ATTTRACTIVENESS OF SAVINGS AND LOAN SYSTEM ALTERNATIVE. BANKS OFFER 8 MT PERCENT NOMINAL INTEREST COMPARED TO S& L 5 PERCENT REAL INTEREST WITH VALUE OF DEPOSIT CORRECTED AUTOMATICALLY UPWARD IN ACCORDANCE WITH INCREASE IN COST

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OF LIVING (I. E. NOMINAL ANNUAL RATE OF 18 PERCENT
IN JAN- MAY). OWING IN PART TO INCREASING RATE OF
INFLATION SAVINGS AND LOAN DEPOSITS DOUBLED IN 2
MOS APR AND MAY FROM 921 MILLION PESOS AT END MARCH TO
ESTIMATED 1,828 MILLION PESOS ON JUNE 1. ADMINISTRATIVE
PRLBLEMS ASSOCIATED WITH NEW OPERATIONS AND INFLATION
DISINCENTIVE TO BORROWERS TO ACCEPT MONETARY CORRECTION
HAVE RESULTED IN SLOW DISBURSMENT OF S& L FUNDS: 454
MILLION PESOS BY JUNE 1. EXCESS LIQUIDITY BEING PARTIALLY
ABSORBED BY PURCHASE OF SPECIAL CENTRAL BANK BONDS
BUT FINANCIAL POSITIONS OF S& L CORPORATIONS UNTENABLE
IF SITUATION CONTINUES INDEFINITELY. MONETARY CORRECTION
AND SO- CALLED CONSTANT VALUE UNIT (UPAC) CURRENTLY
SUBJECT OF CONSIDERABLE CONTROVERSY. GOC DEFENDING CONCEPT
AS KEY TO DEVELOPMENT PLAN STRATEGY TO DRAMATICALLY
INCREASE FINANCING OF CONSTRUCTION ACTIVITIES. CRITICS
INCLUDING LABOR LEADERS BUSINESSMEN AND ECONOMISTS
VARIOUSLY DEMANDING ABOLISHMENT OF UPAC OR APPLICATION
OF MONETARY CORRECTION TO WAGES AND OTHER SAVINGS INSTRUMENTS.
MINFIN AND MINDEV MENTIONED ADDITIONAL POSSIBILITIES OF
MODIFICATION OF UPAC AND OF OTHER INTEREST RATES.

6. STOCK MARKET- BOGOTA EXCHANGE INDEX 102.5 AT END
MAY. VALUE OF TOTAL TRANSACTIONS DURING MONTH 207.9
MILLION PESOS.

7. FISCAL(PESOS MILLIONS) APR GOC CASH FLOW DATE
ARE LATEST AVAILABLE AND SHOW CUMULATIVE JAN- APR CURRENT
REVENUES 5,909, CURRENT EXPENDITURES 3,380 AND INVESTMENT
EXPENDITURES 2,752. PERCENTAGE INCREASES COMPARED TO SAME
PERIOD 1972 WERE, RESPECTIVELY, 14.2 PERCENT, 4.1 PERCENT
AND 49.3 PERCENT. GROSS FOREIGN BORROWING BY GOC CUMULATIVE
1,583 IN JAN- APR OR 265 PERCENT HIGHER THAN DURING
SAME PERIOD 1972. GROSS FOREIGN FINANCING EQUIVALENT
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TO 57.5 PERCENT OF INVESTMENT EXPEDDITURES JAN- APR.
IN PREVIOUS 12- MO CALENDAR YEARS FOREIGN FINANCED
EXPENDITURES AS PROPROTION OF GOC INVESTMENTS WERE 27.2
PERCENT IN 1972 AND 49.0 PERCENT IN 1972. INCREASE IN
1973 OWING LARGELY TO UTILIZATION OF JAPANESE BANK
LOAN, BOND SALES, AND OF UNTIED AID SECTOR LOANS.
GOC ANNOUNCED IN MAY INTENTIONS TO FOREGO ALL BUT
HIGHEST PRIORITY EXPENDITURES IN ATTEMPT TO AVOID NECESSITY
EXPANSIONARY DEFICIT FINANCING.
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